

As prepared for delivery

"The United States and China in the Eras of Globalization"

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I am delighted to be with you. I first visited China 22 years ago, but this is my first visit to your university, in a city whose students have helped shape the development of modern China. So I am privileged to have the opportunity to share ideas about U.S.-China relations in the modern era of globalization with people who will, I expect, help write Chinese history - through deeds and words - in the 21st century.

It was the students of Beijing who in May 1919 protested the Treaty of Versailles' failure to expel Japanese occupiers from China. In that action, the source of the May 4 Movement, Beijing's students not only made a bold statement about China's freedom from foreign occupation and right to self-determination. They also ushered in the era of modern China, taking a decisive step toward China's emergence from Imperial rule and stagnation.

I think it is useful to begin our exchange about the future from the vantage point of what happened almost a century ago in this historic city. Chinese are rightly proud of the history of the world's oldest continuous civilization, and look to it for lessons. America is a young nation by comparison, but the common suggestion that we live exclusively in the present, unshaped by history, is a misleading caricature. So I would like to share with you my perceptions about what this last century has meant to our two countries, how we have perceived each other, and where we are going.

An Earlier Era of Globalization

Many people talk about this new millennium as an unprecedented age of globalization. Extraordinary it is, but unprecedented it is not. For the world at the beginning of the last century was a time and place of dramatic changes in communication, transportation, economic markets, and interaction among peoples, much like today.

In 1902, the automobile was just coming into use in the United States. Man's first airplane flight occurred 99 years ago, on a beach in North Carolina. The wireless radio followed in a few years, transforming societies - much like the Internet is doing today. The telephone enabled people to converse across mountains, rivers, and indeed around the world.

Then there was my favorite invention: safety razors with removable blades.

The United States was transformed by this earlier era of globalization in the most fundamental way - the face of its population. In each year of the first decade of the last

century, new immigrants to America numbered about one percent of the existing population. A country that had been largely composed of people of English, German, Irish, and African descent found itself the chosen destination of millions of immigrants from different parts of the planet - Poles, Russians, Italians, Chinese, Japanese, and Jews, among others. Their contributions to American economic, social, scientific, intellectual, and political life were enormous.

We learned that openness - to people, goods, capital, and of course ideas - is our greatest strength as a country and society. Although change and adaptation and intrusions from outside can be frightening, and pose difficulties of adjustment, openness spurs dynamism, flexibility, competition, liberty, and the individual pursuit of happiness.

The early 20th century was a time of economic integration, similar to today. As Federal Reserve Chairman Alan Greenspan has pointed out, trade as a percentage of world economic production was roughly as high one hundred years ago as it is today. Net capital flows as a percentage of GDP among developed nations were higher at the beginning of the 20th century than they were at the century's end.

The world of a century ago also was a dynamic period of social movements and ideas that transformed societies and changed lives. The long, slow emancipation of women began, with women gaining the right to vote in the United States, women entering German universities in 1909, and reformers in China urging the removal of the shackles, literal and figurative, that kept women in bonds.

In 1896, the modern Olympic movement was born, bringing together athletes from around the world. In six years, China will have the privilege of carrying the Olympic torch forward and showcasing modern China.

Even as European imperialists carved up Africa and planned the same design for China, this perverted globalization planted seeds for its own destruction. The anti-colonial wave that eventually swept through Asia and Africa was energized by the Home Rule movement in Ireland and by Gandhi's epiphany of conscience during his stay in South Africa after the Boer War. The United States - which had been born in a revolution against colonialism - began advancing a different type of globalization, one based on openness and liberty.

The world of science, which knows no borders, was reshaped by the theories of Albert Einstein, who in 1905 published "On the Electrodynamics of Moving Bodies" containing the special theory of relativity. Max Planck put forward his theory of quantum mechanics that revolutionized the way we see matter and energy.

Yet Qing Dynasty China was not ready for that age of globalization. Its political, economic, social, and intellectual assumptions were shaken to their roots. The reformist and revolutionary ideas of Sun Yat-sen, Kang Youwei, and Liang Qichao took shape in their extensive travels around the world -- to Hawaii, New York, West Point, Singapore,

Penang, Japan, and Milan. The ideas these intrepid Chinese formed, as they wandered the world, upended thousands of years of Chinese civilization and ended dynastic rule.

It was not just intellectuals and exiles, of course, who led the way in seeking change. In 1903, the 18-year old student Zou Rong advanced thinking within China by publishing *The Revolutionary Army*. The legacy of his all-too-short life was a clarion call for the overthrow of the Manchu dynasty, equal rights for women, the election of assemblies, and guarantees for freedom of the press and assembly.

The Other Side of Globalization

The globalization of 1902 had its dark side, just as we struggle today with the human costs of economic change. Many poor immigrants in the United States found themselves rootless and exploited. Slums and sweatshops sprang up in our major cities. Resentment against immigrants led to social discrimination and unjust laws, such as the shameful Chinese Exclusion Act.

The disruptions of the time spawned violence and, in some instances, anarchism and terrorism. Some individuals and societies tried to destroy the symbols of their fears. There was an attempt on the life of Yuan Shi-kai in 1912, and successful assassinations of President McKinley in the United States, President Carnot and Jean Jaures in France, Premiers Canovas and Canalejas of Spain, Empress Elizabeth of Austria, King Humbert of Italy, and Archduke Franz Ferdinand of Austria-Hungary in Sarajevo. This last assassination ushered in the supreme cataclysm of globalization, a new phenomenon reflecting the new age - our first global war. As this World War raged, a struggling China even sent 100,000 of its sons to labor on what was called a Western Front in Europe.

World War I brought a crashing end to the high hopes for this first modern era of globalization. Not long before, the German biologist Ernst Haeckel had argued in a popular book that science would soon solve all the world's problems, including war. And in his best seller *The Grand Illusion*, Norman Angell, who later won the Nobel Prize for Peace, had claimed that the new economic integration had made war useless and unlikely in the modern age.

After World War I, other frightening and dangerous ideas seized the minds of men: imperialism, totalitarianism of the right and left, national socialism, isolationism, corporatism, and protectionism.

In effect, it took the second half of the 20th century to begin to overcome the terrible mistakes of the first half.

Lessons Learned

This brief look back at where our two countries were a hundred years ago may enable us to draw some insights as you, the generation of the future, consider how we should approach the challenges of globalization at the start of this century.

- We can see that globalization is not a new phenomenon, but of course each new era of globalization has its own unique characteristics.

- Globalization is akin to a force of nature. It can sweep aside antiquated and dysfunctional customs, institutions, and ways of thinking. It is not something that can be stopped by a leader, or by a nation, without incurring unacceptable costs.
- Nonetheless, ideas matter, leaders matter, and people matter. All of us - each of you - can help shape the future. We can preserve valuable traditions and blend the old with the new. Globalization may be a force, but it need not be a blind force if shaped and directed.
- Globalization can bring extraordinary benefits to peoples and nations, both tangible and intangible - ideas, reforms, goods, investments, and even necessary revolutions.
- Globalization brings problems as well, some of which are staggering, and it spawns confusion, fears and opposition, sometimes even fundamentalist and violent reactions.
- Globalization brings into closer proximity countries, cultures, and civilizations with little previous experience with each other, with dramatic differences in how they see each other, and with the potential for both fruitful interaction and destructive misunderstanding.
- The relationship between the United States and China in this earlier era of globalization was rich in idealism and idealists, purveyors and victims of illusions and yes, also realists and statespeople, all of whom helped reshape our national destinies.
- In this next era of globalization, the relations between China and the United States will be fundamental in determining whether we avoid past mistakes, and create hopes and opportunity for peoples around the world.

"Same Bed, Different Dreams"

In his book on U.S.-China relations, "Same Bed, Different Dreams," Professor David Michael Lampton writes of the different outlooks our two peoples bring to the same events because of our different experiences.

Americans are fundamentally an optimistic people. With certain notable and real exceptions, such as our Civil War, the wars of the 20th century, and the recent terrorist attacks, our history has spared us the worst of the plagues and atrocities that much of humankind has suffered. We have brought this positive attitude to our relationship with China, seeing our connections as constructive, even benevolent.

China, on the other hand, especially in the last two centuries, has suffered profoundly from larger events. Its people have detected little benevolence in the attitude of foreign powers toward China, instead seeing, at best, the operations of Realpolitik and, at worst, predatory plans. It is important for both Americans and Chinese to recall this gulf in perception as we review our past and work toward a shared future.

In this last era of globalization, Americans and Chinese developed close links, some of which are remembered with pride, some not. Americans have alternately seen China as brothers under the skin and as incomprehensible adversaries.

Our first public contact with China came from efforts by missionaries in the 19th century to convert Chinese to Christianity. These religious and generous Americans saw the Chinese people as equal in the eyes of God. These missionaries influenced generations of ordinary Americans, in their churches and Sunday schools, through books and later films,

and through the East Coast elite who shaped our foreign policy in those days, to see China as important and its people as our friends.

The missionaries brought Chinese to the United States to study and to work, many of whom became supporters and financiers of Sun Yat-sen's revolution. In this spirit, the United States decided to devote its share of the unfair indemnity imposed on the Qing Dynasty after the Boxer Rebellion for the education of Chinese students in the United States.

This positive, though limited, view of China underlay U.S. policy through most of the first half of the twentieth century. Secretary of State John Hay called on the nations of Europe and Japan to halt the carving up of China, in favor of opening up China to commerce through an "Open Door" policy. The sense of solidarity of Americans for China gained a further dramatic boost after China came under attack and occupation by Japan, when America sent volunteer pilots - "Flying Tigers" -- to defend China, and then the United States and China became partners in war after the attack on Pearl Harbor.

Yet a different view of China prevailed from 1949 to 1972. Americans were shocked - and hurt - that China rejected the United States and allied with our global adversary, the Soviet Union. The Korean War left images of blaring trumpets and "human wave" attacks by an incomprehensible enemy. And Americans were appalled at the domestic repression and turmoil in China, which were at fundamental odds with our hopes for freedom, democracy, and respect for the individual in China.

Then in 1972, a different China appeared before American eyes: a nation fighting the Soviet Union along its border and Soviet influence elsewhere, a home of friendly ping pong players and cute pandas. After 1978, this new positive image was reinforced by the establishment of diplomatic relations and China's commitment to reform. Whereas John Hay had promulgated an "Open Door" policy for foreign powers seeking a presence in China, this time China declared its own "Open Door" on its own terms.

The pendulum swung back in 1989, with the violent end to the Tiananmen demonstrations and the Government's declaration of martial law, which still resonates among Americans to this day.

Over the 13 years since then, Americans have been developing a more nuanced, and I believe more realistic, understanding of China. Most Americans continue to hope, as the missionaries did, that China will adopt values and establish institutions that treasure liberty, human rights, democracy, and rule of law. They also understand, however, that the Chinese people will always remain . . . Chinese, with their own history, their own culture, their own dreams and fears, their own ways of living and doing things.

For its part, China seems to have gone through comparable swings in its perception of the United States. At the beginning of the century, Chinese saw the United States as an intellectual and political inspiration for their revolution and efforts to modernize, but also as one of the Western powers that sent troops to China to impose its will. During World

War II, Chinese saw the United States as allies and protectors. From 1949 to 1972, under relentless propaganda guidance, China saw the United States as the principal threat to world peace, as the stronghold of the dreaded capitalist system, as an enemy in Korea and Vietnam, and as a place of internal exploitation and external aggression. Denial of American achievement was so deep-rooted that China's media would not even admit that Americans had landed on the moon in 1969.

From 1972 until today, I suspect that Chinese have seen America with a mixture of admiration, envy, and resentment: admiration of our economic achievements and our centers of higher learning where Chinese students flocked in droves, envy of our strength and success, and resentment at what they perceived as U.S. attempts to "dictate" to China.

Through all these twists and turns, I want to be sure you know that there have been some constants in American perceptions of China. There is a great admiration of the culture, intellectual achievement, and character of the Chinese people. There is respect for the ability of the Chinese people to persevere. There is a sense of China's great possibilities.

Average Americans know China in part through the Chinese-Americans who helped build our country. Chinese-Americans like Dr. Tien Chang-lin have been deans of our largest universities. They have been gifted musicians, like cellist Yo-yo Ma; governors of our states, like Gary Locke; Congressmen, like David Wu; Cabinet members, like my colleague Elaine Chao; Nobel Prize winners, like physicists Steven Chu and Samuel Ting; innovative scientist/entrepreneurs like An Wang; leading architects, like I.M Pei and Maya Lin; outstanding clothing designers, like Vera Wang; astronauts, like Taylor Wang and Edward Lu; business leaders, like Yahoo founder Jerry Yang; novelists, like Amy Tan and Maxine Hong Kingston; actors, like Bruce Lee; athletes, like Michael Chang and Michele Kwan. Indeed, it would be hard to find an area of American achievement unmarked by the footprints of Chinese-Americans.

It is not merely these exceptional Chinese-Americans who have achieved success in the United States. The contributions, large and small, of China's sons and daughters in my country reflect their innate talents and hard work, as well as the devotion of their parents, and their stories speak movingly about the potential of humankind in societies based on merit and open to those of all origins.

Looking Ahead

With a century of twists and turns behind us, it is not surprising that there is uncertainty in both China and the United States about the future of our relationship.

I have heard Chinese question, for example, whether America is sincere in supporting China's economic development and emergence on the world stage.

After World War II, America undertook the task of helping Germany and Japan, our former enemies, to create prosperous democracies. Indeed, both have become formidable economic competitors of the United States, and we do not always agree on international issues. But we respect one another. Americans are confident enough in their own

prospects to recognize that the world in which we live will be better if others also prosper in liberty. This was a radically different approach than the one taken by the Soviet Union, which sought to keep Germany weak and economically dependent. As the lead U.S. negotiator during the process of Germany's unification over a decade ago, I saw first hand that America's strategic outlook turned out far better for Germans, Americans, and other Europeans.

Americans are a practical people. So there are very practical expressions of our outlook in our approach to China. To cite a few recent examples:

- The United States imported \$103 billion of goods from China last year, and we have recognized that China's exports play an important part in its reform and development strategy.
- The United States has welcomed spectacular growth in investment in China by American companies.
- America took the lead in negotiating China's entry into the world's most important economic and commercial body, the World Trade Organization.

The United States wants China's economic development and reforms to succeed. A more open, reforming China that seeks to better the lives of its people and enhance the rule of law is likely to mean a China that is a force for regional stability. It is likely to mean an East Asia region that is a dynamic source of world growth. And it is likely to mean more opportunities for U.S. and Chinese producers to sell their products and improve their livelihoods.

The American people harbor great respect, sympathy, and affection for the Chinese people. A self-confident, developing China will be one from which the United States will learn and benefit, just as we have gained from the achievements of Chinese who have come to America. This attitude provides a firm foundation that will support the relationship despite tremors and storms.

Whenever I visit China, I try to listen and learn. I hope to learn by being here with you. Yet after over 22 years of visiting China, I have formed impressions: of a rising and understandable pride in China; of an increasing openness and willingness to question old ways; of an understandable caution toward disorder; of fear of upheaval that devastated China within recent lifetimes; and thankfully, of humor and warmth - qualities that draw Americans and Chinese together.

This openness and rising pride not only is propelling China's economy to heights unimaginable 30 years ago, but also is vaulting Chinese scientists into the forefront of modern research and discovery. In one field of common endeavor - biotechnology - Chinese scientists recently completed a rough draft sequencing of the rice genome, thereby providing the foundation for development of more nutritious and hardy agricultural products.

At the level of statecraft, the relationship between our two countries, both nuclear powers, both members of the UN Security Council, and perhaps soon to be the two

largest economies in the world, will help define the politics, development, and history of this century.

Clemenceau said that war is too important a matter to be left to the generals. In the same spirit, the Sino-American relationship is too important a matter to be left solely to our leaders. Ordinary Americans and Chinese need to let their leaders know why the relationship matters to their future. They need to work in their own ways to make the relationship strong and close - whether serving in government, operating in a business, or promoting a civil society.

Economies in the New Age of Globalization

As we consider the potential of the new age of globalization, it is useful for both Chinese and Americans to recall that flexibility and adaptability - within a clear set of rules - are fundamental for success.

Based on my experience in both government and business, I believe a successful modern economy needs:

- A transparent system of laws and regulations that are enforced fairly, eliminating opportunities for corruption and favoritism.
- Protection of property rights, so that people can keep the fruits of their labor and build for the future for themselves and their children.
- A pricing system reflecting supply and demand of individual consumers and businesses, not state-imposed diktats.
- Competition, so people are inspired to give their best, to improve, to reach within themselves to tap their full potential.
- Well-educated managers, workers, and consumers.
- A labor force that has the skills to perform present tasks and the adaptability to perform new ones.
- Markets to allocate capital efficiently to assure the most productive use of resources.
- And safety nets to help those who lose jobs to adjust as they find new work.

Chinese reformers seem to appreciate most of these principles. This is why China decided to challenge the "iron rice bowl" through post-Third Plenum reform. Courageous Chinese leaders challenged entrenched economic privilege divorced from productivity, state-owned enterprises that turned out products that no one bought year after year, and lifetime employment at the expense of a stronger, healthier, more prosperous China.

What WTO Accession Means for China

China's system could not survive the earlier era of globalization. That China was backward-looking, and did not serve the needs of its people. Its leaders resisted change, and they were swept aside.

In this new age of globalization, China's leadership has decided to seek globalization's benefits and accept its risks. The decision to join the WTO, and to accept the disciplines and rules that lie at its heart, is the latest important step enabling China to navigate globalization's currents.

Therefore, I am proud that my colleagues and I had the opportunity last year, shortly after assuming office, to take the lead in driving to complete China's admission to the WTO after the process had been stalled for a year and a half.

As a WTO member, China is supposed to greatly reduce tariff and non-tariff barriers. It will need to improve protection and enforcement of intellectual property rights. It needs to allow companies engaged in telecommunications, computer services, banking, securities, insurance, freight forwarding, and wholesale and retail distribution to invest in China, providing services of value and spurring domestic competition. China has agreed to transform its system of laws and regulations through transparency, opening rules to comment before promulgation and to court review afterward. As a result, China's membership in the WTO will mean lower prices, greater consumer choice, greater enterprise efficiency, enhanced productivity, higher wages, new jobs, and more opportunity.

Our goal now should be to work together to assure that China's commitments are implemented faithfully and on schedule, and to assure that China, in turn, can utilize WTO rules to prevent other countries from closing their markets unfairly to Chinese goods.

I want to repeat a key phrase - we should work together. Implementation of China's commitments will not always be easy. While some changes can be achieved by simple fiat or decree, many others will require a multitude of decisions, adjustments, and technical knowledge. When problems arise, as they will, my preferred method will be to consult, to try to understand the Chinese perspective, and to make suggestions on how to proceed in securing implementation of China's commitments.

The United States and China also should work together on the future global trade negotiations launched in Doha last November -- at the same historic meeting that admitted China to the WTO. The reduction in tariffs and elimination of non-tariff barriers brought about by the Kennedy, Tokyo, and Uruguay Rounds in the GATT - the precursor to the WTO -- have underpinned and stimulated world economic growth in the last four decades. We need further bold steps to open markets for agricultural products, manufactured goods, and services that bring similar benefits in the years to come.

China has much to show the world about the value of economic openness, of conditions favorable to foreign investment, tariff reduction, and increased reliance on market discipline. Therefore, I hope China will be active in the global negotiations in persuading countries that have resisted reforms to follow this proven path to economic development.

China's Challenge

A hundred years ago, a weak and decrepit and old China was turned upside-down by forces from abroad. The costs of closed custom created a devastating price for generations of Chinese in the 20th century.

In 2002, a reforming China, now a member of the WTO, is much better positioned to benefit from the achievements of peoples and countries far from its shores, and in turn to help enrich others around the world. Yet no future is preordained.

Almost a hundred years ago, young university students like you tried to prod China into the modern world. Your challenges will be different. You will have the advantage of the economic decisions, and hard work, of generations that have finally begun to fulfill the promise of the May 4 Movement of so many long years ago. Your calling is to build on these achievements - by building a modern economy, an open and tolerant society, a democratic political system, and a just society.

In facing these challenges, I hope you will not neglect one last one - strengthening the ties between China and the United States. There will be no more important relationship than ours in this century. Neither of our countries will achieve what it wants, and needs, if we allow our differences to overshadow our common goals. I will do what I can to make the 21st century one of peace between our countries, a century in which our countries compete and cooperate economically and scientifically to the benefit of both our peoples. I am hopeful you will do the same.

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